



**Startups**

# 2023 year in review and 2024 outlook.



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## A word from our Head of Startups.

The year 2023 has been filled with peaks and valleys. While evolution and disruption are the only constants within the startup ecosystem, this year has felt particularly volatile. The recurring theme in all of my recent conversations with founders and VCs has been about resilience. How do we all absorb shocks and still keep moving forward? My response is that the best way to keep moving forward is together — to me, our sense of community always has and always will be a key part of what makes the startup ecosystem so powerful.

Brex shared startup spending patterns from our data at the onset of 2023 and as a midyear check-in in the hopes that our insights could help inform and uplevel key financial decisions that founders have to make as they carve out their paths forward. For this final report of the year, we wanted to share some data trends, but also take a step back and reflect on the year's broader moments and milestones.

To no one's surprise, the SVB bank failure and the rise of AI were key moments. Both reflect broader trends and shifts that are here to stay. We also take a look at the tech conference comeback (word on the street is that TechCrunch Disrupt had record attendance — and I am still recovering from NY Tech Week), the increased scrutiny on startup boards and governance processes, and the return (ish) of some IPO activity.

To sum it all up, if 2023 was about weathering tough circumstances with resilience, we think 2024 will be about moving forward together as startups get scrappy and creative about how they bring their big dreams to life.

Did we miss a key moment or milestone in our analysis? Do you have other thoughts on what 2024 will bring? Let me know!

Cheers to 2024. Keep growing.

Jason Mok  
Head of Startups, Brex



# Q1'23 Gloomy projections and the SVB bank failure.

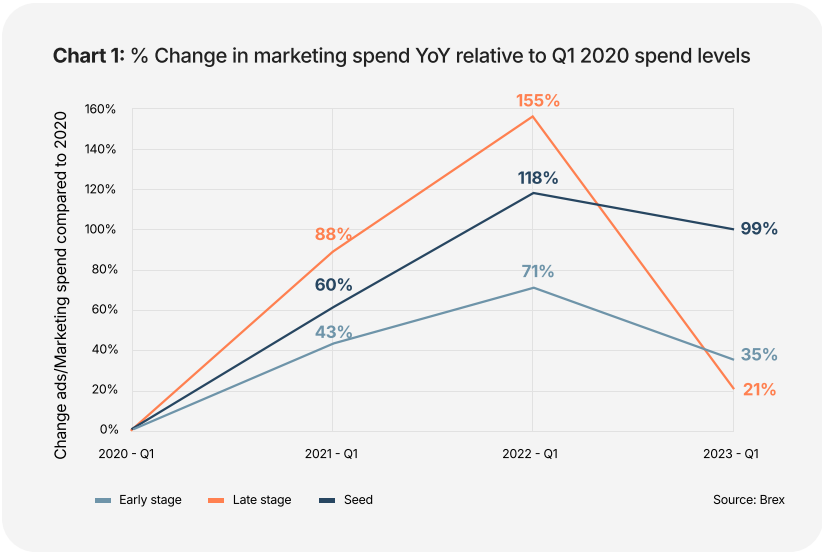
## What happened.

Business leaders entered 2023 with a skeptical outlook on the overall macroeconomic environment. Fears of an imminent recession were pervasive. Amid rising interest rates, decreases in fundraising and VC deals, down rounds, and a job market fraught with layoffs, hiring freezes, and salary cuts, companies had to rethink how they would bring in capital and build their business.

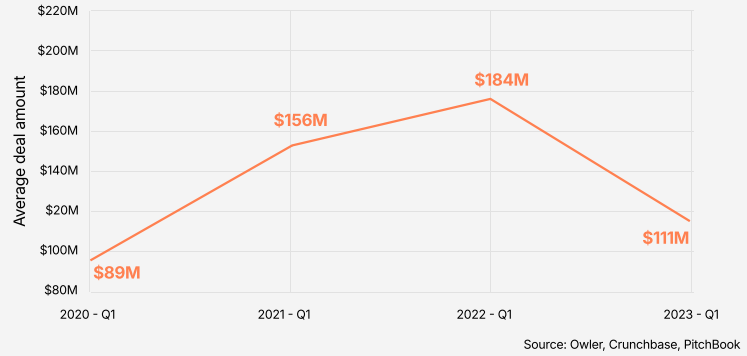
The business climate slouched even further in March when Silicon Valley Bank, sitting on \$17 billion in interest-rate-driven asset losses, collapsed and was taken over by regulators. Immediately, many startups faced losing access to their bank funds, and longer term, the startup market lost a longtime partner that many relied on — especially for venture debt. The SVB bank failure set off an unprecedented crisis amidst an already challenging economic climate.

## What we saw in the data.

Marketing spend is indicative of a company's willingness to invest in the future growth of their business, as they typically use the funds to attract new customers. Q1 '23 saw a decline among startups in their willingness to increase spend on marketing [Chart 1] given low growth expectations and the desire to extend runway amid lower average fundraising amounts [Chart 2]. Ultimately startups spent much of 2023 managing spend to preserve and extend capital.

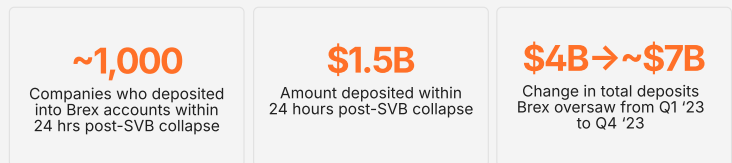


**Chart 2: Decline in average fundraising amount YoY**



Twenty-four hours into the SVB bank failure, nearly 1,000 companies had deposited more than \$1.5 billion into Brex accounts, providing them a safety net from financial turmoil.\* Brex now oversees around \$7 billion in customer deposits, up from \$4 billion before SVB's failure.\*\* Over 4,000 accounts were opened with Brex since SVB's bank failure, and 80% of them are still active.\*\*

**Chart 3: The post-SVB bank failure stats**



\* Brex business account data 3/10/23

\*\* Brex business account data as of 11/15/23

## Our POV.

Given the pullback in the market and the change in the banking landscape, startups need to be smart with the money they do have. Cash management is an oft-overlooked facet of the startup experience, and for founders and finance leaders of early-stage startups especially, there are three key priorities to consider:

1. **Capital preservation:** Safeguard your hard-earned capital by prioritizing for growth, finding efficiencies, and making the hard decisions between raising a down round and extending your runway.
2. **Ensure liquidity:** Given higher interest rates, prepare for any banking issues by keeping funds readily accessible in business accounts, in addition to other risk management strategies.
3. **Consider returns on investment:** While the first two points are paramount, it's also critical to try to make some of your money work harder for you.

Companies also need to carefully consider the structure of their bank accounts, maximize FDIC insurance, and minimize exposure to any one bank. Failure to do so could mean not having access to your company's cash for periods of time, which could severely impact your operations.

Lastly, startups should also aim to consolidate all their payments, including payroll and bill pay, onto a single platform. This can help diversify your funds across institutions, automate transfers, and ensure routing numbers, account numbers, and any linked software stay up to date.

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## Q2'23

### The rise of artificial intelligence.

#### What happened.

Our report "The State of U.S. Early-Stage Venture & Startups: 2Q23," conducted in partnership with Angellist, declared Q2' 23 "the worst quarter ever for startup dealmaking, as activity rate dropped to a historical low and positive active rate dropped to a near-historical low." However, it also states that AI and machine learning "surged ahead as the most popular investment sector on Angellist in 2023 with VCs showing waning interest in other technology sectors."

While many fundraising deals were sluggish, AI-related deals remained on the rise through this year. Amid the economic gloom — and perhaps even because of it — AI has continued to grow as companies vigorously developed AI tooling and overall generative AI investment levels increased.

But it's not just the tech community investing in AI. Such a transformative technology has risen to the forefront as a focus for company leaders globally. They are eager to adopt and are curious to see how these new tools will be priced and what the business models will look like.

Others are still skeptical about whether this rising tide will actually lift all boats, asking questions like:

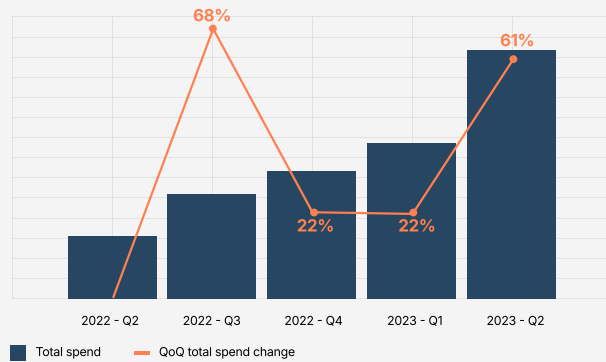
- How can we ensure AI systems share accurate information?
- Do the benefits outweigh the AI risks, including data privacy and intellectual property concerns?

#### What we saw in the data.

While spending on AI tools has doubled YoY **[Chart 4]**, there are a few details to keep in mind: spend is still small relative to other vendors, and we also expect startups to be earlier adopters **[Chart 5]**. With this in mind, we believe we're still on the precipice of AI adoption for everyday business needs.

**Chart 4: % change in spend on AI tools QoQ**

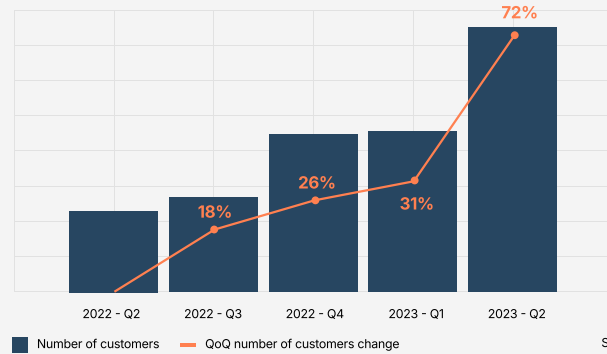
Data looks at OpenAI, Hugging Face, Jasper, Stability, Anthropic, and other tools with .ai domains



Source: Brex

**Chart 5: % change in number of startup customers that spend on AI tools QoQ**

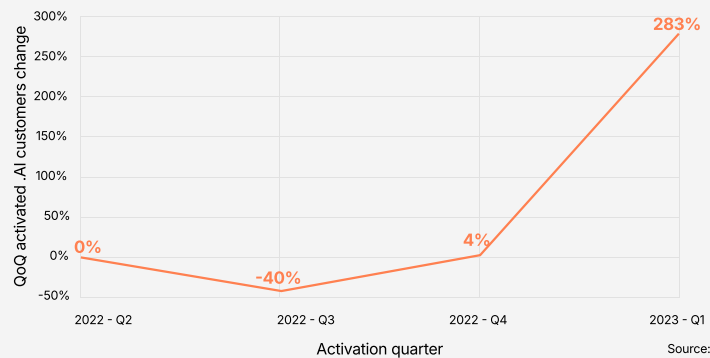
Data looks at OpenAI, Hugging Face, Jasper, Stability, Anthropic, and other tools with .ai domains



Source: Brex

At Brex, we are also seeing a number of new AI companies onboarding to our platform, with the number of customers using the top-level .ai domain dramatically increasing starting in Q1 '23.

**Chart 6: Proliferation of .ai companies joining Brex QoQ**



Source: Brex

## **Our POV.**

Today, artificial intelligence works best as a complement to human intelligence. AI can be as capable as the best external firm you can hire in the industry and can instantly internalize every single data point in your company. With time being such a precious resource within a startup, every founder will embrace automation where they can.

We expect software to continue improving and come with more AI features built-in, such as our very own Brex Assistant. Most businesses, but early-stage ones especially, will embrace the efficiency and invest in using AI to do more with less as they look to extend their financial runway.

As more founders use AI products to automate key business workflows, we also expect more companies with AI products and solutions to arise.

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## **Q3'23 Travel and global.**

### **What happened.**

Over the last few years, more startups have adopted fully remote or hybrid working models, with global hiring increasing as physical locations become less important. The world, in the metaphorical sense, has become smaller.

Supporting geo-distributed workforces is a relatively new phenomenon, and founders are challenged with efficiently building a borderless culture. The focus this year has been on enabling teams to meaningfully contribute to the growth and success of the company no matter where they are.

Because of remote and hybrid work models and other shifts, we've seen notable "global" trends regarding travel and spend.

Global business travel recovered through 2023 faster than many had forecast. Company-wide and team offsites have become paramount, and T&E as a percentage of total company spend has sharply risen. Since 2020, T&E spend increased:

- 510% for later-stage startups
- 390% for early-stage startups
- 130% for seed-stage startups

A recent report by Deloitte estimated travel spend volumes could be back to 2019 levels by late 2024 or early 2025, driven by in-person attendance at industry events. We saw glimpses of this already, with GBTA setting the tone in August and TechCrunch Disrupt and SaaStr following in September.

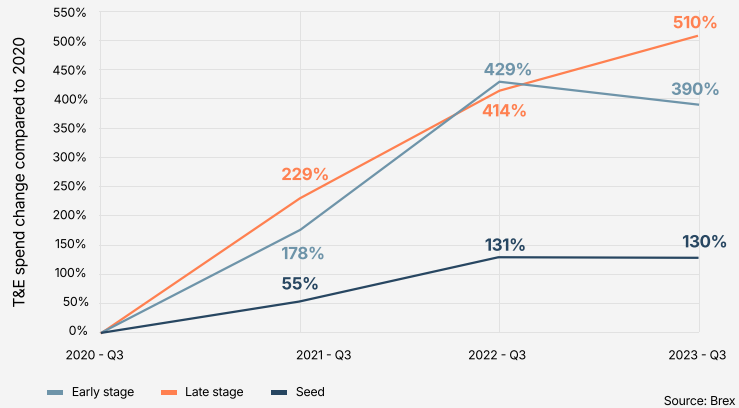
US travel and expense decision-makers in a 2023 Brex survey echoed the desire for face-to-face connection, with more than 75% saying they've boosted their travel spend allocation in the last 12 months.

Additionally, signs of globally distributed work are increasingly evident as companies' allocation of international spend ticks up. Our data indicates that the share of transactions that are global in nature has increased YoY since 2021 **[Chart 8]** for companies in every stage we measure.

### **What we saw in the data.**

Corporate travel is indeed back. Brex customers increased their airfare spending for company offsites 3x this year, highlighting the demand for group travel and in-person connections. Our data also shows booked flights from 31 states this year using Brex travel.

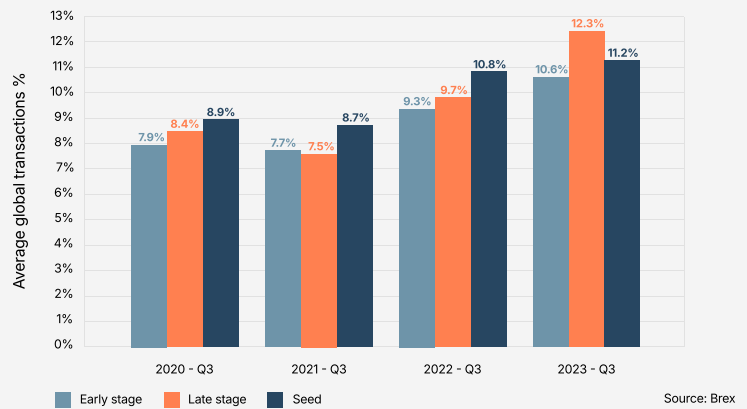
**Chart 7: % change in T&E Spend YoY relative to Q1 2020 spend levels**



Source: Brex

Another factor fueling travel growth is that startups are increasingly hiring employees globally to both attract talent and lower costs. When looking at Canada, for example, global HR and payments platform Deel saw a 14% YoY increase in workers being hired in Canada by US companies, and Brex found that the number of corporate cards being shipped to the region has increased 10%+ YoY. Brex has also seen \$100M annualized payments processed in Canada, up 15%+ YoY.

**Chart 8: Increasing global transactions YoY**



Source: Brex

Our data indicates that international spending is steadily increasing. The average percentage of early-stage, late-stage, and seed-stage companies' total spend transactions that were global was just over 11% in Q3 '23, a full percentage point higher than the Q3 '22 average.

## Our POV.

### Be intentional with corporate travel and global decisions.

In spite of all that's happened in the last few years, business travel remains as necessary as ever, if not more so. Nearly all (98%) of the respondents in our [2023 corporate travel survey](#) agreed that travel is important to achieving their business goals.

Travel creates valuable opportunities for brainstorming and collaboration, connecting with your board and investors, and learning from other founders. It has inherent value for founders as a competitive advantage, as a team-builder, as a way to cement client relationships, and as a lever for growth.

And while the benefits of travel are hard to overstate, there are pitfalls to avoid. For instance: don't let travel eat into your cash. A global travel solution natively integrated into your business account and corporate card can help you get travel right early, while also protecting your cash by limiting surprises and preventing overspending.

Moreover, a spend strategy that includes global support will help you scale faster should you expand to new geographies. How do you know if a travel and expense solution is global-ready? Because it will provide local-currency cards, billing, and reimbursements, VAT tracking to simplify tax and compliance, and a consolidated view of all your spend.

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## Q4'23 Trust and governance.

### What happened.

The economic landscape began showing signs of improvement in the latter half of 2023, with interest rates stabilizing and IPO activity rebounding, including the successful offerings of companies like Klaviyo, Instacart, ARM Holdings, and Birkenstock. The prospect of additional IPOs including [Plaid](#) and [Reddit](#) further indicates the promise of a brighter future for private tech companies.

Amidst this positive momentum, however, two events in particular underscore the critical importance of trust and governance for startups and their founders:

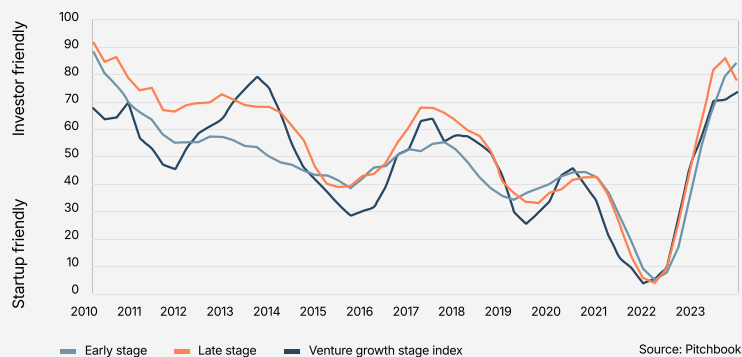
1. Over the span of merely a few days, the OpenAI CEO Sam Altman, was in, then out, then in at Microsoft, then finally back in at OpenAI — albeit with a brand new board. This serves as a reminder that the dynamics of a company can change in the blink of an eye, and trust must be earned at every stage of a company's growth.
2. The fraud conviction of disgraced FTX founder Sam Bankman-Fried closed the book on a dark chapter in the crypto industry. There are countless lessons to learn from the FTX fallout, but one key takeaway for founders: implementation of robust oversight and governance mechanisms are non-negotiable for building confidence with investors and ensuring the long-term viability of the company.

In the realm of startups, a commitment to robust governance and a culture of trust will be the bedrock upon which success is built and will play a significant role in any exit plan, whether it's a public offering, acquisition, or another route.

### **What we saw in the data.**

The PitchBook VC Dealmaking Indicator uses deal-level data to quantify how startup-friendly or investor-friendly the capital raising environment is. The most recent data [**Chart 9**] shows that investor terms for startups of all stages became meaningfully more investor-friendly starting in 2022. From this data, we see a sharp spike over the past year, and while there has been a slight turn in the later-stage market (where terms got the most investor-friendly), terms are still at the most investor-friendly as they have been in the last 10 years.

**Chart 9: The PitchBook VC Dealmaking Indicator\***



\*Note: Higher Indicator values reflect a more investor-friendly dealmaking environment and lower values a more startup-friendly one. (This Indicator is current as of Oct. 30, 2023.)

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However, due to the shakeup at OpenAI, the recent FTX settlement, and perhaps other unforeseen economic impacts to come, we could expect to see continued strengthening of investor terms and governance.

### **Our POV.**

#### **Trust is everything.**

Investors now view robust governance as a key sign of a startup's long-term success and growth potential, which is evident in the dramatic turn we've seen toward investor friendliness over the past year.

Elevating governance beyond mere compliance involves carefully curating your boards for diverse skills and backgrounds, ensuring clear, consistent communication, and keeping board members well-informed about industry specifics.

By building external trust and instilling unwavering confidence in their operations, founders can leverage governance as a strategic tool, make smarter decisions, and boost operational effectiveness.

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## 2024 outlook: Optimism grounded in reality.

With a recession failing to materialize in 2023, economists are optimistic about the state of the US economy. However, it's critical for founders to remain realistic. The [OECD Economic Outlook](#) projects global GDP growth of 2.9% in 2023, followed by a mild slowdown to 2.7% in 2024 and a slight improvement to 3.0% in 2025.

Inflation has tempered in 2023, but interest rates remain high, and evolving compliance regulations can always present new challenges. While valuations have started to inch back up, the fundraising environment remains active but complex. Global unrest also creates more uncertainty as the Israel-Hamas conflict deepens and the war in Ukraine continues.

This past year tested our collective resilience, so expect 2024 to be the year entrepreneurs go back on the offensive, dial up the creativity, and reimagine new paths toward innovation and growth.

For founders, every day is about agility, adaptability, and remaining responsive to any opportunity that comes their way. In the new year, it's imperative to stay vigilant and work under the ever-present possibility that your plans may change.

Lastly, the strongest founders always see the big picture and view change in a broader context. Those who embrace an increasingly global business landscape, new generative AI capabilities, and sudden economic shifts not as challenges but as opportunities will be poised to weather whatever 2024 has in store — and thrive in spite of it.

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## About Brex.

Brex is the AI-powered spend platform for modern companies, from startups to enterprises. Combining corporate cards, expense management, travel, business accounts, and bill pay, Brex makes it easy to control spend before it happens with unprecedented efficiency and accuracy. Our mission is to empower employees anywhere to make better financial decisions, so we designed our platform to make expenses almost effortless with unrivaled automation of manual expense work and real-time tracking. Brex supports more countries and currencies than any other spend solution. Brex has tens of thousands of customers, including some of the most successful, high-growth companies, such as DoorDash, SeatGeek, Coinbase, ScaleAI, MasterClass, Indeed, Allbirds, and Superhuman.

Learn more about what Brex offers startups at [brex.com/solutions/startups](https://brex.com/solutions/startups)

### Meet our data scientist.

Jessie Pei is a Data Science Manager at Brex, supporting our Marketing and Website teams. Prior to Brex, Jessie led Data Science efforts in Customer Success Management and Trust & Safety at a SaaS company. Jessie holds Master's degrees in Actuarial Science from Georgia State University and Biochemistry from Emory University.



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## Methodology and privacy.

All analysis that uses Brex internal customer data is anonymized and aggregated for privacy. The Brex customers that we include in spend analysis all use Brex card, have been active customers for at least 90 days, were active during the quarter that their data is used and have funding round information available via Pitchbook, Owler, or Crunchbase in order to identify them as a startup. To learn more about how we use data in anonymized or aggregated form for these trend reports, email us at [privacy@brex.com](mailto:privacy@brex.com).

### Customer Definitions.

Customers labeled as “seed” in analysis are those customers who have raised seed capital. This category of customers is inclusive of those who have received angel investments.

Customers labeled as “early stage” in analysis are those customers who have raised Series A and Series B funding.

Customers labeled as “late stage” in analysis are those customers who have raised Series C and Series D funding.

### Data Definitions.

#### Chart 1: Marketing Spend

This analysis sums up spend associated with marketing & advertising vendors by customer funding stage, and shows the percent change in spend by customer segment relative to the baseline spend in 2020.

#### Chart 4: % Change in AI Spend

This analysis sums up spend on OpenAI, Hugging Face, Jasper, Stability, Anthropic, and other tools with .AI domains, and shows the percent change in spend QoQ.

### **Chart 5: % Change in # of Customers Spending on AI Tools**

This analysis sums up the number of customers spending on OpenAI, Hugging Face, Jasper, Stability, Anthropic, and other tools with .AI domains, and shows the percent change in number of customers QoQ.

### **Chart 7: T&E Spend**

This analysis sums up spend associated with T&E vendors by customer funding stage, and shows the percent change in spend by customer segment relative to the baseline spend in 2020.

### **Chart 8: Increasing Global Transactions**

This analysis is calculated using the percent of transactions that are non-U.S. based for each customer and takes the average of that percentage across a quarter and funding stage.

## **See what Brex can do for you.**

Learn how our spend platform can increase the strategic impact of your finance team and future-proof your company.

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